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Starting your own business

The key things you need to know and do when starting your own business.

Are you in business?

Work out whether you're in business and when your business starts for tax purposes.

Before you start a business

Tax, super and registration obligations you need to consider before you start a business.

Business structures - key tax obligations

See your key tax obligations for a sole trader, partnership, company or trust business structure.

Franchising and tax

Tax treatments for franchise-specific payments and transactions between franchisors and franchisees.

Registration

Learn what registrations your type of business needs to meet

Tax basics for small business video series

These short videos answer common questions about running a small business.

Managing payments

How to prevent tax debt, make prepayments and payment transfers, and more.

Small business focus areas

The risks we're focused on and information on how to get it right.

Small business newsroom

Read the latest updates on tax, super and registry services for small businesses.

QC 31774

Are you in business?

Work out whether you're in business and when your business starts for tax purposes.

Last updated 13 October 2026

Content creation and selling online

If you create content or sell goods or services online, you may be carrying on a business. To find out, see the following guides:

- For content creators, Are you in the business of content creation? explains how indicators apply to income earned from creating and monetising digital content.
- For online sellers, Are you in the business of online selling? explains how indicators apply to selling goods or services online, including through digital platforms and marketplaces.

You can also use the guidance below to understand the general factors we consider when working out whether someone is carrying on a business.

What is a business?

Generally, a business involves a set of continuous and repeated activities you do for the purpose of making a profit. Profit can be in money, but it can also be made through other means, like being paid with goods or services (such as a barter deal).

A one-off transaction can also be a business if it is either:

- intended to be repeated
- the first step in starting a business.

You can run one business or multiple businesses at the same time.

You can follow the steps below to help you work out if your activities are a business.

When you're not in business

Not everything you do to make money is a business.

Your activities are not a business when they are:

- a one-off transaction (unless it is the first step in carrying on a business or intended to be repeated)
- done as an employee
- a hobby or recreation from which you don't seek to profit
- a simple investment, such as passively holding shares on which you receive dividends or a rental property you let through an agent.

Even if you're not in business, you may still need to declare certain payments you receive as assessable income in your income tax return. For example:

- rent or income from providing services
- the market value of goods or services you receive in a barter deal
- dividends from shares you own
- payments from a one-off transaction.

If you enter into a one-off transaction, such as one that involves the sale of small-scale land subdivisions, you need to consider whether your profit from the transaction is assessable as ordinary income or a capital gain. For more information, see Taxation Ruling TR 92/3 *Income tax: whether profits on isolated transactions are income*.

When a company is not in business

Most companies are in business if they intend to and are likely to make a profit.

However, some companies are not in business. For example, a company is not in business if it:

- holds assets solely for its shareholders' private use, and its running costs are funded solely by its shareholders
- provides social and recreational activities for members without seeking to make a profit.

Steps to work out if you are in business

Media: Are you in business?
https://tv.ato.gov.au/media/bd1bdiubfurqip (**Duration:** 2:18)

Step 1: Identify all relevant, related activities

Examples of relevant, related activities include:

- keeping records
- obtaining and maintaining licences and permits
- if you rent out premises or goods, everything you do to rent out those premises or goods

- if your activity is providing goods or services, everything you do in providing them.

Step 2: Are the activities a business?

The more of the following questions you answer yes to, the more likely it is your activities are a business:

- Do you intend to be in business?
- Do you intend to and have a prospect of making a profit from your activities?
- Is the size or scale of your activity enough to make a profit?
- Are the activities repeated and continuous?
- Are your activities planned, organised and carried out in a business-like manner? For example, do you
  - keep business records and have a separate business bank account?
  - advertise and sell your goods and services to the public, rather than just to family or friends?
  - operate from business premises?
  - maintain required licences or qualifications?
  - have a formal business plan or budget?
  - have a business name or an ABN?

If you're still not sure whether your activities constitute a business, you may need to consider the indicators that a business is being carried on in more detail, including relevant court decisions. These are discussed in the following tax rulings:

- For an individual, partnership or trust, see Taxation Ruling TR 97/11 *Income tax: am I carrying on a business of primary production?* While this ruling is about primary production, the principles it explains can be applied more broadly.
- For a company, see Taxation Ruling TR 2019/1 *Income tax: when does a company carry on a business?*

Example: assessing if you are in business

Angela is employed as a mechanic at a local garage. She helps her employer upload a few how-to videos on a video sharing platform to create awareness and drive business to the garage.

Angela discovers she can monetise popular content and creates her own video sharing channel with the intention of making a profit. She uploads videos of how to fix machinery.

When Angela's channel starts to grow, she:

- sets up a production schedule that sets out the type of content she will produce on a weekly basis
- buys lighting and sound equipment to improve her production quality
- asks a friend to help her advertise her channel on social media
- paints her channel logo on the side of her truck to advertise
- joins the video sharing platform's Partner Program and starts earning money
- records all expenses from her content creation activity.

Angela wants to know if her 'side hustle' activities are a business.

Step 1: Identify all relevant, related activities

- Angela identifies all the activities involved in her video sharing activity, including the continuous and repeated production schedule and filming, purchasing of equipment to generate more revenue, advertising, and monetisation partnership.
- She does not include the work she does as an employee at the garage.

Step 2: Are her video sharing activities a business?

Angela looks at all her activities together. She determines that she is in business because she:

- intends to run a business
- intends to make a profit to supplement her salary and wage income

- sets up a regular schedule for these activities
- operates in a businesslike way, has a plan and system for making a profit, keeps records, and promotes and advertises her activity.

When does your business start?

It is important to know when your business starts. This will affect the registrations you must have and when you need to apply for them.

It may also affect:

- how tax laws apply to your activity and the assets you use in that activity
- the tax concessions or deductions available to you.

Your business starts when you have more than an intention to be in business and have:

- made the decision to start the business
- acquired the minimum level of assets to start running your business
- started your business activities.

Have your activities changed?

If your activity changes in a major way you must reassess whether you are in business. For example, this could be if:

- you are now making a profit or have an intention to do so
- your activity was originally a hobby, but you make arrangements to make money from it, such as monetising online content you created
- you are in business but change, pause or stop your activities.

Are you in the business of content creation?

This guide helps individuals who create content understand

Are you in the business of online selling?

This guide helps individuals who sell goods or services online understand whether they are carrying on a business.

QC 31733

Are you in the business of content creation?

This guide helps individuals who create content understand whether they are carrying on a business.

Last updated 7 October 2026

What this guide is about

For a factsheet version of this guide see Are you in the business of content creation (NAT 75865 PDF 0.27MB)

This guide:

- explains what a content creator is and common activities carried out by content creators
- helps you work out whether you are carrying on a business
- provides examples of when a content creator is carrying on a business
- provides an overview of your tax obligations if you are carrying on a business
- explains your tax obligations if you are not carrying on a business.

What is a content creator?

A content creator is an individual that produces and shares digital content online and receives amounts, including non-cash benefits from such activity.

The goal is typically to inform, entertain, educate, inspire, or persuade through the creation of different types of content.

Common activities of a content creator

Content can take many forms including videos, photos, written pieces, podcasts and live streams. Most content creators publish their content on digital platforms such as YouTube, TikTok, Twitch, Instagram and other websites, blogs, streaming or podcast platforms.

If you are a content creator you may undertake one, or all of the following activities:

- creating and publishing digital content (such as videos, images, written posts or audio) on social media platforms, websites or streaming services
- monetising content through advertising revenue, platform payments, sponsorships, brand collaborations (including modelling and acting for brands), affiliate marketing, subscriptions or digital product sales
- maintaining and managing online channels with the intention of building an audience and generating income
- investing in equipment, software or services to support content production.

Business, side hustle or hobby – why does it matter?

Understanding whether your content creation activities amount to carrying on a business is important because it affects your tax obligations. Your content creation activities may be:

- a business
- an income-producing activity that does not amount to carrying on a business, or
- a hobby or recreational pursuit.

If you're carrying on a business as a content creator, you must:

- declare business income, including non-cash income
- keep appropriate records

- claim only eligible deductions and expenses, and
- meet other tax and reporting requirements.

If you're not carrying on a business, amounts you receive from creating content may still be assessable.

This commonly occurs where you are undertaking a side hustle. A side hustle is an activity that you carry out in addition to your primary job or business to earn additional income. Depending on the particular facts and circumstances, your side hustle may amount to carrying on a business or be an income-producing activity that does not amount to carrying on a business.

It's important to remember that 'not carrying on a business' does not automatically mean amounts you receive are tax-free. Even where your content creation activity is not a business, amounts you receive may still be assessable income and need to be declared in your tax return.

The main exceptions are where the activity is a genuine hobby or recreational pursuit.

A hobby is an activity that is undertaken primarily for personal enjoyment, recreation or leisure rather than to make a profit. While a person may occasionally receive amounts from a hobby, those receipts are generally incidental to the pursuit of the hobby rather than the reason for undertaking it. For example, a person may occasionally receive a small prize, gift or other benefit connected with their hobby without the activity taking on a commercial character.

Amounts received from a hobby are generally not assessable income and associated expenses are not tax deductible.

Table 1: Tax summary based on activity type

Activity type	Income assessable?	Other tax implications
Business	Yes. Declare business income including non-cash amounts.	• Claim eligible deductions and concessions. • Keep appropriate records.

		• Meet relevant registration obligations (e.g. ABN and GST).
Other income-producing activity that is not a business	Generally, yes. Declare income including non-cash amounts.	• Claim eligible deductions. • Keep appropriate records. • Other business obligations such as ABN/GST registration don't apply.
Hobby or recreational pursuit	Generally, no.	• Related expenses are not deductible. • No other tax implications.

How do you work out if you're carrying on a business in the content creator industry?

There is no single factor that determines whether you are carrying on a business. You don't need to satisfy every factor below. The factors should be considered together, and the answer depends on the overall impression of your activity. Some factors may be more important than others depending on your circumstances.

The following is a summary of the factors you need to consider when working out if you're carrying on a business:

Your activity has a significant commercial purpose or character

- Your activities are aimed at generating income through ads, sponsorships, subscriptions or affiliate marketing.
- Your activity is produced with a business mindset and not purely for personal enjoyment or posting for family and friends to see.
- Examples like promoting/modelling for brands, negotiating partnerships, entering into contracts, and running campaigns will

reflect a commercial purpose.

There is more than just an intention to carry on a business

- Your actions demonstrate active effort – actions may include producing content consistently, marketing it, engaging with audiences, networking with brands, and investment in software and services to improve content quality.
- Your activity must demonstrate ongoing commitment.

You intend to make a profit from the activities and whether there is a reasonable prospect of making a profit

- You could be starting off as a content creator and not be profitable yet, however you may be carrying on a business if your motivation for content creation is to make a profit and you have a genuine plan to earn income from your content creation activities in a future income year.
- The reasonable prospect of making a profit considers whether your activity could realistically make money over time.
- Profitability may take time, and you may still be carrying on a business if you don't make a profit in the early stages of your content creation activities. This is more likely to be the case if you have a structured plan and make ongoing efforts to monetise your content.

Repetition and regularity of the activities

- You’re posting on a consistent schedule (daily or even multiple times a day).
- You engage with followers, comments, live sessions, posting on social media.
- You plan future content, series and campaigns rather than occasional posts.

Your activity is planned, organised and carried on in a business-like manner

- You have documented strategies, calendars and performance tracking.
- You have contracts with brands and keep records for income and expenses.
- The more structured and organised your activities, the more it demonstrates that the activity is being carried on as a business.

Size and scale of the activity

- A small following or modest revenue does not automatically mean it’s a hobby.
- The consistent posting, audience engagement and investment of resources indicate a commercial activity even if it’s at a smaller scale.
- You have multiple platforms being used to reach a broad audience.
- The number of followers, reach and engagement metrics indicate significant audience.
- There is team involvement (editors, talent managers).

Your activity is more than a hobby or a form of recreation

- Your activity may have started off as a hobby, however it becomes a business once you demonstrate commitment to these factors.

Remember, whether you're carrying on a business as a content creator depends on the overall impression gained when considering the above factors. This means that you should consider the indicators individually, in combination, and as a whole.

When does your business start or end

You have started carrying on a business when you have moved beyond planning and begin actively creating content with the intention of earning income.

This typically occurs when you have made a clear decision to start the business, acquired equipment and assets needed to operate and actively begun conducting the business activities with the intention of earning income.

Your business has ended when you no longer intend to continue the business. This includes being inactive or not creating content, contracts are cancelled, business assets are disposed of, and registrations such as ABN or GST are cancelled.

Examples

Example 1: beauty influencer (carrying on a business)

Mia decides she wants to become a beauty influencer and earn income from creating content.

Before launching her channels, Mia spends several months researching equipment, developing her content style and learning video editing. During this period, she is preparing to start her activities.

Once her channels are established, Mia begins posting 3 to 4 videos each week on YouTube, TikTok and Instagram about makeup techniques, skincare routines and product reviews. She plans her content using a calendar, schedules posts in advance and regularly interacts with her audience through comments and live streams.

Mia invests in professional lighting, cameras and editing software and keeps records of all income and expenses associated with her activities.

The following year, Mia continues producing content at the same rate and begins earning income through sponsorships, cosmetic brand collaborations and advertising revenue.

Mia is carrying on a business as a content creator.

In weighing all the relevant factors, Mia's activity has an overall commercial character. She has moved beyond merely intending to become an influencer and is actively carrying out organised income-producing activities. Her content creation is regular and ongoing, she invests in business assets, keeps records and actively seeks to generate income.

Together, these factors demonstrate that Mia commenced carrying on a business once she began operating in a structured and commercially focused way.

Income earned from the business must generally be included in her tax return and she may be entitled to claim deductions for expenses related to earning that income.

Example 2: lifestyle influencer (carrying on a business)

Bella is a lifestyle influencer who creates travel, wellness and lifestyle content for several social media platforms.

She posts content multiple times each week, shares daily stories and runs ongoing content series such as hotel reviews and travel guides. Bella maintains a content calendar, schedules posts in advance and actively engages with her audience.

Bella earns income through paid brand collaborations, sponsored posts and sales of digital travel guides. She regularly approaches brands and tourism operators to secure partnerships and negotiates fees and content deliverables.

To improve the quality of her content, Bella purchases filming equipment and editing software.

In her third year as a creator, Bella is invited by a luxury resort in the Maldives to create promotional content. In exchange for agreed deliverables, the resort provides:

- return business class flights to the Maldives
- accommodation at the resort
- meals and on-site experiences.

Bella does not receive a cash payment for the campaign.

Bella is carrying on a business as a content creator.

In weighing all the relevant factors, Bella's activities have a clear commercial purpose and character. She regularly seeks income-

producing opportunities, enters into commercial arrangements with businesses and organises her activities in a business-like way. Her activities are repetitive, planned and carried out with the intention of making a profit.

Although Bella's audience is only moderate in size, the overall impression is that she is carrying on a business.

The flights, accommodation and other benefits are provided as part of Bella's business activities and are generally treated as non-cash business income.

For example, if the flights are valued at $8,000 and the accommodation and other benefits are valued at $5,000, Bella would generally need to include $13,000 in her assessable income.

Where a content creator is carrying on a business, free or gifted products, services and experiences received in exchange for promotional activities will generally have tax consequences even where no cash payment is received.

Example 3: casual poster (hobby)

Liam enjoys posting dance videos on TikTok and Instagram to share with friends and family.

He posts irregularly and creates content for personal enjoyment. Liam has no sponsorship arrangements, affiliate links, advertising revenue or plans to earn income from his content.

He records and edits videos using his personal phone and the tools available within the social media apps. He does not schedule content, track audience metrics or take steps to commercialise his activities.

Liam is not carrying on a business.

In weighing all the relevant factors, Liam's activities lack an overall commercial character. His content creation is undertaken primarily for personal enjoyment and is not organised or

conducted in a business-like manner. He is not seeking to generate income or build a commercial enterprise.

Liam's activities are a hobby rather than a business.

Amounts received from a hobby are generally not assessable income and expenses incurred in relation to the hobby are generally not deductible.

Example 4: travel blogger (side hustle that is not a business)

Sofia writes a travel blog about her personal holidays and shares photos, travel tips and recommendations on her blog and social media accounts.

She primarily creates content for friends, family and other travel enthusiasts. Sofia posts occasionally and does not regularly seek sponsorships, advertising revenue or other commercial opportunities.

During the year, a hotel offers Sofia a one-off payment of $500 to feature the hotel in a blog post and social media update. Sofia accepts the offer and creates the requested content.

Apart from this arrangement, Sofia has not received any other sponsorship payments and does not have plans to commercialise her blog.

Sofia is not carrying on a business.

In weighing all the relevant factors, Sofia's activities don't have an overall commercial character. Her content creation is not carried out in a systematic or business-like way and she does not actively seek ongoing commercial opportunities.

However, the $500 payment is still assessable income.

Although Sofia is not carrying on a business, the payment was received for creating promotional content and must generally be included in her tax return.

This example demonstrates that income can still be taxable even where a content creator is not carrying on a business.

Example 5: income earned after business has ceased

Marcus operated a successful YouTube channel that reviewed technology products. He earned income from advertising revenue, sponsorships and affiliate marketing arrangements.

After several years, Marcus decided to stop creating content. He stopped uploading videos, ended sponsorship arrangements, and no longer engaged with viewers or maintained his social media presence.

By the end of the year, Marcus had stopped carrying on a business.

However, many of his older videos remained available online and continued to generate advertising revenue.

Marcus is no longer carrying on a business.

In weighing all the relevant factors, the minimum level of activity required to carry on a business is no longer present. Marcus is no longer creating content, seeking commercial opportunities or operating in a business-like manner.

Although the business has ceased, the advertising income generated from his existing videos remains assessable income.

The fact that the business has ceased does not change the tax treatment of income that continues to be earned from content created while the business was operating.

Table 2: Activity comparison table

Feature	Business	Income-producing	Hobby

		activity (not a business)	
Main reason for creating content	Operate a profit-making enterprise	Earn extra income	Personal enjoyment, self-expression or sharing interests
Intention to make a profit	Yes	Yes	Usually no
Regular and ongoing activity	Usually	Often	Sometimes
Planned and organised	Yes	Limited	No
Commercial relationships	Regular commercial arrangement	Occasional arrangements	None
Tax outcome	Income assessable	Income is generally assessable	No tax implications

The indicators in this table should be considered together, having regard to the overall nature and circumstances of the activity. No single indicator is decisive, and the indicators listed are not exhaustive. Other relevant indicators may also need to be considered when determining the nature of an activity.

Activities commonly referred to as a side hustle may fall into either the business or income-producing activity (not a business) category, depending on the particular facts and circumstances.

You're in business, what next?

If you're carrying on a business as a content creator, this means you need to:

- Register for an ABN

- Register for GST if you are making $75,000 or more in a 12-month period
  - You must charge GST on your taxable sales (including local brand deals or sponsorships)
  - Noting GST-free sales (payments from foreign advertising networks) count towards your $75,000 registration threshold
  - You can claim GST credits on business expenses
  - You must lodge business activity statements (BAS)
- Have a look at what type of small business concessions and deductions you can claim
  - For example, you create makeup tutorial videos for YouTube and are considered running a business based on the factors previously discussed. Any makeup featured and used **only** in those tutorials would be deductible. If you used the makeup in both the tutorials and your personal life, you could still claim a deduction for **some** of the cost of the product.
- Consider pay as you go (PAYG) instalments if you're concerned about ending up with a tax bill at the end of the financial year. This allows you to pay your tax throughout the year in smaller, more manageable amounts.
- Look into contributing to your own superannuation fund
- Maintain records of all transactions relating to your business and keep them for at least 5 years
- Consider undertaking Small Business essentials training to improve your business knowledge.

How do I declare my income?

When you're carrying on a business, the income you must declare includes:

- foreign income
- cash
- platform ad revenue
- fees for appearing at events or advertising products/services

- sponsorship and brand deals
- affiliate commission
- subscription income
- tips and donations, and
- gifts/promotion of product (market value).

You need to declare non-cash benefits such as products or services as income on your tax return.

Still unsure whether you're carrying on a business?

You can:

- read more about business indicators
- review information about tax tips for managing your side hustle or other income-producing activity
- consider improving your business knowledge as a content creator by completing the Content, clicks, income and tax course on Essentials to strengthen your small business
- speak with a registered tax professional who can help you understand how the rules apply to your circumstances
- apply for a private ruling if you would like the ATO's view on your circumstances.

This information is a general summary for individuals or sole traders only. It does not cover specific circumstances for companies, partnerships or trusts.

For more information, speak to a registered tax professional.

Are you in the business of online selling?

This guide helps individuals who sell goods or services online understand whether they are carrying on a business.

Last updated 6 October 2026

What this guide is about

For a factsheet version of this guide see Are you in the business of online selling (NAT 75864 PDF 0.25MB)

This guide:

- explains what online selling is and common activities carried out by online sellers
- helps you work out whether you are carrying on a business
- provides examples of when an online seller is carrying on a business
- provides an overview of your tax obligations if you are carrying on a business, and
- explains your tax obligations if you are not carrying on a business.

What is online selling?

An online seller is an individual who sells physical or digital goods or services online and receives income from it.

Common activities of an online seller

Online selling activities can take many forms including renting out short-term accommodation online, and selling various kinds of physical or digital goods or services through your own or a third-party digital platform.

If you're an online seller you may undertake one, or all of the following activities:

- buying materials to make or produce products to sell online

- sourcing and purchasing products to sell online
- making or sourcing digital goods to sell online
- making your home or investment property ready to rent out (up to the standards required for a short-term rental or under a third-party platform's terms e.g. Airbnb)
- listing products or rental space on your own or a third-party digital platform and accepting customer orders
- supplying finished products to clients or utilising a third-party digital platform's system for delivering customer orders.

Business, side hustle or hobby – why does it matter?

Understanding whether your online selling activities amount to carrying on a business is important because it affects your tax obligations. Your online selling activity may be:

- a business
- an income-producing activity that does not amount to carrying on a business, or
- a hobby or recreational pursuit (including casual sales of unwanted personal items).

If you're carrying on a business as an online seller, you must:

- declare your business income, including non-cash income
- keep appropriate records
- claim only eligible deductions and concessions, and
- meet other tax and reporting requirements.

If you're not carrying on a business, amounts you receive from online selling may still be assessable.

This commonly occurs where you are carrying out a side hustle. A side hustle is an activity that you do in addition to your primary job or business to earn additional income. Depending on the particular facts and circumstances, your side hustle may amount to carrying on a

business or be an income-producing activity that does not amount to carrying on a business.

It is important to remember that 'not being in business' does not automatically mean amounts you receive are tax-free. Even where your online selling activity is not a business, amounts you receive may still be assessable income and need to be declared in your tax return.

The main exceptions are where the activity is a genuine hobby or recreational pursuit or involves the casual sale of unwanted personal items.

A hobby is an activity that is done primarily for personal enjoyment, recreation or leisure rather than to make a profit. While a person may occasionally receive amounts from a hobby, those receipts are generally incidental to the pursuit of the hobby rather than the reason for doing it. For example, a person may occasionally sell items they have created, won, collected or accumulated as part of their hobby, without the activity taking on a commercial character.

Similarly, selling unwanted personal items that were originally acquired for private use, rather than for resale, will generally not result in assessable income.

Amounts received from a hobby or casual sales are generally not assessable income and associated expenses are not tax deductible.

Table1: Tax summary based on activity type

Activity type	Income assessable?	Other tax implications
Business	Yes. Declare business income, including non-cash amounts.	• Claim eligible deductions and concessions • Keep appropriate records • Meet relevant registration obligations (for example, ABN and GST).
Other income-producing	Generally, yes.	• Claim eligible deductions

activity that is not a business	Declare income, including non-cash amounts.	• Keep appropriate records • Other business obligations such as ABN/GST registration don't apply.
Hobby, recreational pursuit, or casual sale of unwanted personal items	Generally, no.	• Related expenses are not deductible • No other tax implications.

How do you work out if you're carrying on a business?

There is no single factor that determines whether you are carrying on a business. You don't need to satisfy every factor below. The factors should be considered together, and the answer depends on the overall impression of your activity. Some factors may be more important than others depending on your circumstances.

The following is a summary of the factors you need to consider when working out if you're carrying on a business:

Your activity has a significant commercial purpose or character

You set up your online storefront (for example, through a marketplace like Etsy or eBay, a social media platform, your own website or using another third-party website or app).

You are doing your online selling activities to generate income, setting competitive pricing, advertising your products and /or doing market research.

You have a business-like mindset and are not engaging in online selling as a hobby or for recreation.

There is more than just an intention to carry on a business

The reason you are currently selling online must be to run a business, especially given that it’s common for people to sell goods or services online with no intention to run a business.

However, wanting to be in business is not enough, your desire to run a business has to be paired with real active efforts to start and keep a business going and minimum business assets.

You intend to make a profit from the activities and whether there is a reasonable prospect of making a profit

While you might enjoy your online selling activities, your main motivation for carrying out the activity must be to turn a profit.

You don't have a purpose to make a profit if you are selling online just to claim deductions, become eligible for small business concessions, evade tax or otherwise.

You must realistically be able to turn a profit consistently from your activities – this is called profitability. While it's possible to be carrying on a business if you are making a loss, you must reasonably expect to make a profit in a future income year.

Repetition and regularity of the activities

What is regular and routine may look different for online sellers than it does for traditional brick and mortar businesses with set working hours and measurable performance indicators.

Instead, you might be selling online as your main activity or alongside your ordinary employment.

The more regular your efforts to list and sell a good or service, the more likely it is that you are carrying on a business.

You may still be carrying on a business if you have a small undertaking or be unable to put all your time and efforts toward the activity. However, you need to be listing and selling online often enough that there is a clear pattern and routine to show how and when you carry out this activity.

Your activities may include:

- either creating or buying a product or the requisite equipment to offer a service

- regularly updating your website or online storefront
- monitoring stock levels and sales
- interacting with your customers
- keeping records of sales you make and expenses you incur, and
- advertising your goods or services, including through social media.

Your activity is planned, organised and carried on in a business-like manner

The more you plan, organise and carry on your activity like a normal business in the online selling industry, the more likely it is that your activity is going to be a business.

Undertakings that help demonstrate that you are organising and carrying on your activities in a business-like manner include preparing and following a business plan; documenting market research you undertake; detailed profit and loss records; planning to increase your profit margin or increase your customer base; advertising; and employing systems and services to assist you in doing any of those things.

Size and scale of the activity

Activities that are larger in size and scale are more likely to amount to carrying on a business.

When you're considering the size and scale of activities you should have regard for the size and scale of other similar businesses. That is, if similar online selling businesses are small in size and scale then the fact that your activities are small is less likely to indicate that you are not in business.

You may still be carrying on a business if your activities are small in size and scale, and if you have little to no capital.

Starting small does not stop the activity from being a business if you are making every possible effort (through regular and routine actions) to run a business and you tick the other factors listed.

Your activity is more than a hobby or a form of recreation.

A hobby or recreation is something you do primarily for enjoyment, exercise of skill, as an enthusiast of a sport or activity, or as a creative outlet that you do not commercialise.

If in weighing the factors listed above, your activity is better described as a hobby or a form of recreation then you are not carrying on a business in the online selling industry.

You may begin carrying on an activity as a hobby or recreational pursuit and begin carrying on a business from the activity at some later time. You will start carrying on a business if at some point you commit by intention, active efforts, and assets to actually run a business in the online selling industry and ultimately turn a profit.

Remember, whether you are carrying on an online selling business depends on the overall impression gained when considering these factors. This means that you should consider the indicators individually, in combination, and as a whole.

When does your business start or end

You have started carrying on a business when you have moved beyond planning and begin actively online selling with the intention of earning income.

This typically occurs when you have made a clear decision to start the business, acquired equipment and assets needed to operate and actively begun conducting the business activities with the intention of earning income.

Your business has ended when you no longer intend to continue the business or cease carrying out online selling activities. You may have ceased carrying on a business if you have been inactive for a significant period of time, deleted or deactivated online storefronts or profiles on online selling platforms, you have cancelled or opted not to renew contracts with suppliers and/or customers, you have disposed of business assets, or you have cancelled relevant registrations such as ABN or GST.

Examples

Example 1: Airbnb host (carrying on a business)

Alec owns 2 houses. In year 1, Alec lists one of the houses as short-term accommodation on Airbnb while transitioning out of IT support work. During the year, Alec occasionally hosts guests and receives income from providing short-term accommodation. Alec has not committed significant time, effort or resources to the activity and does not yet carry it on in a sufficiently organised or business-like way.

In year 2 Alec decides to commit to Airbnb hosting long-term with the intention of making a profit. Alec begins regularly hosting guests throughout the year, averaging 2 to 3 bookings each month. Alec also invests significant time and effort in managing the accommodation and improving the guest experience.

To support the activity, Alec purchases additional items and amenities and begins providing:

- a hamper of local products
- food for breakfast is provided in the fridge and cupboard
- yoga classes that the guests can book
- additional linens, kitchen and dining, bedroom, bathroom and laundry amenities
- cleaning during the stay at request
- a phone number and WhatsApp contact service available from 8 am to 9 pm each day
- luggage drop-off for early arrival or late departure.

Alec keeps records of income and expenses and monitors the profitability of the activity.

On the weighing of the factors, Alec's activities in year 2 have a commercial character and amount to the carrying on of a business.

While the property was available for short-term accommodation in year 1, the activity only became a business when Alec committed to operating it on a commercial basis, with the intention of making a profit and through regular, organised and ongoing efforts.

Alec's business started in year 2 when Alec:

- decided to operate the activity to make a profit
- invested in additional assets, amenities and services for guests
- began regularly and systematically carrying out the activity, and
- maintained records to manage the activity and track its performance.

The income Alec received from providing short-term accommodation in year 1 is still assessable income and must be declared in Alec's tax return, even though the activity was not yet a business. Alec may be entitled to claim deductions for eligible expenses incurred in earning that income.

From year 2, Alec is carrying on a business.

Alec must continue to declare income earned from the activity and may claim deductions for eligible expenses. As a business operator, Alec may also have additional tax obligations, such as record-keeping and registration obligations, depending on their circumstances.

Example 2: handmade journals (starting to carry on a business)

Shae is an employed real estate agent who makes handmade bullet journals in her spare time. She gives the journals to family, friends and colleagues as gifts.

After receiving positive feedback, Shae decides she wants to turn her passion into a business. Over the next year, she researches the best and most affordable materials, conducts market research, develops a business plan and saves money for start-up expenses.

In the following year, Shae is ready to launch her business. She purchases a book-binding machine and enough paper, glue and

other materials to make journals for the next 6 months. She creates a website and lists her products for sale, advertises on multiple social media platforms and uses MYOB to keep records of sales, income and expenses.

Two months after launching the website, Shae is spending most of her spare time accepting orders and making journals for customers. As demand grows, she decides to take long-term leave from her employment to focus on the activity.

In weighing the factors, Shae is carrying on a business in the online selling industry.

Although Shae spent a year researching, planning and saving money, those activities alone did not mean she had started carrying on a business. Her business started when she moved beyond planning and began actively selling journals with the intention of making a profit.

In weighing all the relevant factors, Shae's activity has an overall commercial character. She has committed to operating a profit-making venture, acquired the assets needed to operate it, established sales and advertising channels, maintained business records and begun regularly selling products to customers.

Example 3: personal shopper (carrying on a business)

Briar is a university student who enjoys op shopping. Friends regularly ask Briar to find specific clothing items they have seen online or on social media.

After identifying demand for the service, Briar decides to start a business sourcing and reselling second-hand clothing. She creates a website where customers can upload images or 'wish lists' of items they would like her to find. Customers can place orders, communicate with Briar and pay through the website.

Briar purchases packing and shipping materials based on her forecast customer demand and advertises her services on social

media. She also purchases software to track customer orders, sales and expenses and maintains records of all transactions.

Although the business is relatively small, Briar dedicates 2 afternoons each week and most weekends to sourcing products, communicating with customers, shipping orders and managing customer enquiries. Over time, she develops a small but consistent customer base.

Briar is carrying on a business in the online selling industry.

In weighing all of the relevant factors, Briar's activity has an overall commercial character. Her activities are organised and carried on in a business-like manner, are carried out with the intention of making a profit and involve regular and ongoing efforts to obtain and fulfil customer orders.

While Briar's operation is relatively small in size and scale, this does not prevent it from being a business. The activity has established sales channels, business systems, record-keeping processes and a growing customer base. Taken together, these factors indicate that Briar is carrying on a business.

Example 4: weekend reseller (side hustle that is not a business)

Riley works full-time as a teacher and wants to earn some extra money.

Throughout the year, Riley regularly visits garage sales, markets and op shops looking for items that can be resold at a higher price. Riley lists the items for sale on eBay and Facebook Marketplace and earns around $4,000 profit during the year.

Riley does not have a business plan, does not advertise their activities, has no separate business accounts and only spends a few hours each month sourcing and listing items. Riley purchases items opportunistically when they come across a good deal rather than operating in a systematic or organised way.

When weighing the factors, Riley's activity does not have the overall commercial character of a business. The activity is

relatively small in scale and is not carried on in a sufficiently organised or business-like manner.

Riley is not carrying on a business.

However, Riley acquired items for the purpose of resale at a profit and the amounts earned are assessable income that must be declared in their tax return. Riley may be entitled to claim deductions for eligible expenses incurred in earning that income.

Example 5: casual sales (selling personal items is not a business)

Frankie wants to make some extra cash to buy a new TV. He decides to sell unwanted clothes, old toys, electronics and other personal belongings through Gumtree.

Over the course of 3 months, Frankie receives $800 from selling the items and uses the money to buy a new TV. Once the items have been sold, Frankie stops listing items for sale.

Frankie is not carrying on a business.

In weighing all the relevant factors, Frankie's activity does not have an overall commercial character. His intention is to dispose of unwanted personal belongings rather than operate a profit-making enterprise. The activity is temporary, does not involve any ongoing commitment and is not carried out in a business-like manner.

Frankie's activity is a personal disposal of unwanted items rather than a business or income-producing activity. The $800 received from selling the items is not assessable income

Example 6: selling trading cards (hobby)

Scott is a massive NRL fan and has been collecting Official NRL Collector and Trading Cards for his favourite team since 1994.

Each year throughout the NRL season, he purchases card packs and boxes online and from retail outlets to build his personal collection. He keeps the cards in official collector albums, which are displayed in a custom cabinet in his home. Scott's primary goal is to grow and enjoy his collection rather than generate income.

As part of the collecting process, Scott often acquires duplicate cards. He usually trades these cards with other collectors to obtain cards missing from his collection. Any duplicates he can't trade, he occasionally lists for sale on eBay or Facebook Marketplace. He generally sells the cards as bundles and prices them at around the cost of postage plus a small amount. For particularly rare cards, he may seek the highest price a collector is willing to pay. Any money Scott receives from these sales is used to help fund additions to his collection.

Scott is not carrying on a business.

In weighing all the relevant factors, Scott's activity does not have an overall commercial character. He collects NRL trading cards primarily for his personal enjoyment and not for the purpose of making a profit. The online sales are incidental to the hobby and are undertaken mainly to dispose of duplicate cards and offset the cost of continuing his collection rather than to generate income.

Amounts received from a hobby are generally not assessable income and related expenses are generally not deductible. Scott does not need to include the amounts he receives from these online sales in his tax return.

Table 2: Activity comparison versus hobby

Feature	Business	Income-producing activity (not a business)	Casual sale of personal items	Hobby
Main reason	Operate a profit-	Earn extra income	Dispose of	Personal enjoyme

for activity	making enterprise		unwanted items	
Intention to make profit	Yes	Yes	No	Usually n
Regular and ongoing activity	Usually	Often	No	Sometim
Planned and organised	Yes	Limited	No	No

The indicators in this table should be considered together, having regard to the overall nature and circumstances of the activity. No single indicator is decisive, and the indicators listed are not exhaustive. Other relevant indicators may also need to be considered when determining the nature of an activity.

Activities commonly referred to as a side hustle may fall into either the business or income-producing activity (not a business) category, depending on the particular facts and circumstances.

You're in business, what next?

If you're carrying on a business as an online seller, this means you need to:

- Register for an ABN
- Register for GST if you are making $75,000 or more in a 12-month period
  - You must charge GST on your taxable sales
  - Noting GST-free sales (payments from foreign advertising networks) count towards your $75,000 registration threshold
  - You can claim GST credits on business expenses
  - You must lodge business activity statements (BAS)
- Have a look at what type of small business concessions and deductions you can claim

- Consider pay as you go (PAYG) instalments if you are concerned about ending up with a tax bill at the end of the financial year. This allows you to pay your tax throughout the year in smaller, more manageable amounts
- Look into contributing to your own superannuation fund
- Maintain records of all transactions relating to your business and keep them for at least 5 years
  - Businesses in the online selling industry have access to lots of different ways to plan, organise and establish good book-keeping methods
  - This includes traditional methods, (e.g. keeping physical books to record profit and loss and paper receipts) and through more modern avenues, (for example, MYOB, Xero)
  - If you operate your activity through an online marketplace, there might be built in features which allow you to view and measure your sales, the number of hits your virtual storefront gets and more.

How do I declare my business income?

When you are carrying on a business, the income you must declare includes:

- sales made through online marketplaces
- sales made through your own website or online store
- sales made through social media platforms
- payments received by cash, electronic transfer or other payment methods
- income from sales made through third-party platforms, including amounts paid to you after platform fees or commissions are deducted
- foreign income.

You need to declare non-cash benefits such as products or services as income on your tax return.

Still unsure whether you're carrying on a business?

You can:

- read more about business indicators
- review information about tax tips for managing your side hustle or other income-producing activity
- consider improving your business knowledge as a content creator by completing the Content, clicks, income and tax course on Essentials to strengthen your small business
- speak with a registered tax professional who can help you understand how the rules apply to your circumstances
- apply for a private ruling if you would like the ATO's view on your circumstances.

This information is a general summary for individuals or sole traders only. It does not cover specific circumstances for companies, partnerships or trusts.

For more information, speak to a registered tax professional.

QC 108109

Before you start a business

Tax, super and registration obligations you need to consider before you start a business.

Last updated 4 September 2026

What to consider before starting a business

Understanding the road ahead and doing your research and planning is critical for your success.

The Guide to starting a business on business.gov.au helps you navigate these steps.

It's also important to:

- know that you are ready to start a business
- talk to people with similar businesses, or a trusted business adviser
- speak with a registered tax professional
- contact your local industry association
- look at the ATO's website and small business benchmarks to see how businesses perform in your industry
- research financial information for your business – how much will it cost to start your business, to be in business, and can you access grants or loans?
- decide which business structure is right for you as this determines the tax you will need to pay
- know what records you may need to keep and income and deductions you need to declare or claim, and from when this needs to happen
- know what registrations you need to have in place, and from when.

Getting up and running

- Registrations and insurance
- Business reporting, income returns and deductions
- Engaging with us online
- Hiring workers

Registrations and insurance

Once you have started a business, you need to meet specific business obligations. This includes any required registrations or business insurance.

You may need an Australian business number (ABN). This unique 11-digit number identifies your business or organisation to the government and community. An ABN has its own set of obligations.

You may also need to:

- register for goods and services tax (GST), which is a broad-based tax of 10% on most goods, services and other items sold or

consumed in Australia

- register for pay as you go (PAYG) withholding and meet your super obligations for any employees you hire
- register for fringe benefits tax (FBT) when you are providing fringe benefits to your employees.

You can apply for an ABN and other key business registrations through the Business Registration Service.

You may also need business insurance and licences to protect your business. It's important to understand the licences and permits you need to do certain activities and help protect your business and employees.

Business reporting, income returns and deductions

Income you receive from your business activities is assessable income and must be declared on your income tax return.

A tax return needs to be lodged for each sole trader, partnership, trust and company you are running.

Sole traders need to report all income, including business income, in their individual tax return.

You can claim a business tax deduction for most expenses you incur in carrying on your business, as long as they are directly related to earning your assessable income. If you are registered for GST, you will also need to lodge a business activity statement (BAS).

Engaging with us online

Our online services are quick, easy, tailored and secure. They let you manage most of your reporting and transactions with us at a time that's convenient for you.

You can use:

- Online services for individuals and sole traders
- Online services for business for approved self-managed super fund (SMSF) auditors, businesses, and other organisations.

Hiring workers

If you're thinking of hiring a worker, it's important to understand your tax and super obligations as an employer.

Before you hire your first worker you need to:

- set up single touch payroll (STP) to meet your employer obligations
- register for PAYG withholding
- set up your business to pay superannuation contributions to your worker's nominated fund
- register for FBT if you provide benefits in addition to wages
- see if you need to register for state and territory payroll tax
- use our online services to manage your registrations and obligations.

Setting yourself up for success

- Cash flow management
- Record keeping
- Business banking
- Technology

Businesses that are operating well and meet their obligations usually have the same things in common.

They:

- have good cash flow management practices
- use technology to help run their business
- keep good records and have good accounting systems
- seek the advice of a registered tax professional or business adviser.

With accurate record keeping and digital tools, it's easier to track, monitor and make improvements to your cash flow. It also makes it easier to report to the ATO and make payments.

Cash flow management

Managing your business cash flow and knowing the amount of money that goes in and out of your business – that is, income and expenses –

allows you to make better business decisions.

It also makes it easier for your business to pay bills and other costs and meet your tax, GST, superannuation and employer obligations.

In your first year of business, you can meet your obligations by:

- making tax pre-payments into your tax account
- putting money aside for your expected tax bill
- voluntarily entering into PAYG instalments.

For help with understanding how to manage your business cash flow:

- ask your trusted business adviser or registered tax agent about the Cash Flow Coaching Kit.
- visit business.gov.au and learn about how to create a budget and how to improve your business's financial position.

Record keeping

As a business, for tax purposes you must keep detailed records for all transactions related to your tax, GST and superannuation affairs as you start, run, sell, change or close your business.

Keeping accurate and complete records for all your business transactions will also help you manage your business and its cash flow.

Business banking

Understanding your business banking obligations is important. Different business structures have their own record keeping requirements.

- If you're operating as a partnership, company or trust, you must have a separate bank account for tax purposes.
- If you're operating as a sole trader, you do not have to open a separate business bank account, but it's a great idea to do so and will save you time when working out what transactions are personal and business.

Further information about organising your finances can be found on business.gov.au.

Technology

The right digital tools will help you perform daily business activities and meet your tax, GST and super obligations. They also make it easy for you to engage with us when it is convenient to you.

Small businesses can use:

- Online services for individuals and sole traders
- Online services for business
- the ATO app – to access and manage your tax and super on the go
- eInvoicing – a fast, easy and secure way to automatically send and receive invoices through your software
- digital record keeping software systems – to track your income and expenses from the start of your business
- electronic payment systems – if you are making sales in your business, you will need to select a payment system. Your customers then pay for your goods or services electronically, making it easier for you to reconcile your expenses, including
  - tap-and-go (contactless) payments
  - credit and debit cards
  - EFTPOS
  - online payments
  - smart phone and tablet card processing.

Any payment software you use must not have any payment suppression tools.

Support for your business

The ATO is here to help you on your business journey. We offer a range of learning resources, tools and services to support your business.

- Tax time support for your business.
- Calculators and tools to help you run your business.
- A small business newsroom – subscribe and get the latest tax and super news delivered to your inbox.
- ATO app - to access and manage your tax and super on the go.

- Join the discussion online – follow us on social media for tips and updates or check out our ATO Community forum to ask questions about tax and super.
- National Relay Service – if you have difficulty hearing or speaking to people on the phone, you can contact us through the National Relay Service.
- National tax clinic program – if you're experiencing difficulties and can't access or afford professional advice or representation with your tax affairs, the tax clinic program may be able to help.
- Registered tax or BAS agents – contact a registered agent to help manage your tax and super.
- Contact us – if you need more help.

Aboriginal and Torres Strait Islander peoples and other languages

In addition to our range of tools and services, we have information:

- on Tax for businesses for Aboriginal and Torres Strait Islander peoples
- in languages other than English (including Arabic, Chinese, Hindi, Korean, Punjabi and Vietnamese) to help people from culturally and linguistically diverse backgrounds understand tax and super in Australia.

If you would like to speak to us, you can also phone:

- our Indigenous Helpline
- the Translating and Interpreting Service to speak with us in a language other than English.

QC 50440

Business structures - key tax obligations

See your key tax obligations for a sole trader, partnership, company or trust business structure.

Last updated 9 June 2026

Media: Choosing your business structure: Small Business Tax Basics https://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfurqic (**Duration:** 1:52)

Types of business structures

A business structure:

- defines who owns and operates a business
- affects your tax and registration requirements
- affects your legal liabilities and obligations.

There are 4 commonly used business structures in Australia:

- sole trader
- partnership
- company
- trust.

Information about other business structures is available on business.gov.au.

If you're unsure which business structure to choose, talk to your registered tax agent, or trusted business or legal adviser.

If you change your business structure, there may be costs, tax implications and other obligations you need to meet.

Sole trader

A sole trader is an individual running a business. It is the simplest and cheapest way to run a business.

If you run your business as a sole trader, you are:

- the sole owner and controller of it

- legally responsible for all aspects of the business, including debts and losses you incur in running it.

You can employ workers in your business, but you can't employ yourself.

As a sole trader, you are responsible for paying your worker's superannuation, known as super guarantee. You don't have to pay super guarantee for yourself but you can choose to make personal super contributions to save for your retirement.

Key tax obligations

As a sole trader, you:

- use your individual tax file number (TFN) when lodging your tax return
- report all your income in your individual tax return, using the section for business items to show your business income and expenses (there is no separate business tax return for sole traders)
- are entitled to an Australian business number (ABN) and use that ABN for all business activities
- must register for goods and services tax (GST) if
  - your annual GST turnover is $75,000 or more
  - you provide taxi, limousine or ride-sourcing services (regardless of your GST turnover)
  - you want to claim fuel tax credits
- may be required to lodge business activity statements, for example if you're registered for GST, have employer obligations such as PAYG withholding, or have PAYG instalments
- pay tax on all your income, including income from your business, based on your individual tax rate
- may voluntarily use, or be required to make, PAYG instalments to prepay your income tax
- can claim a deduction for any personal super contributions you make after notifying your fund

- can hire workers, and need to meet all employer and super obligations for them.

As a sole trader, you can claim a deduction for salary, wages and allowances you pay your workers on your tax return.

You can't claim a deduction for money or assets you take from the business for personal use.

Partnership

A partnership is a group or association of people who run a business together and share the income or losses from the business between themselves.

A written partnership agreement is not required for a partnership to exist but can help:

- prevent misunderstandings and disputes about what each partner brings to the partnership
- set out how business income and losses are to be shared between the partners (equally between partners or not)
- set out how the business is to be managed.

If there is no written agreement, income and losses are equally distributed between partners.

The partners in a partnership are not employees of the partnership, but they are able to employ other workers.

Partners are responsible for their own superannuation. However, the partnership is required to pay super for its employees.

Key tax obligations

A partnership:

- has its own TFN
- must lodge an annual partnership return showing all business income and deductions and how its income or losses are distributed to the partners
- must apply for an ABN and use it for all business activities
- must register for GST if it

  - has annual GST turnover of $75,000 ($150,000 for not-for-profit organisations) or more
  - provides taxi, limousine or ride-sourcing services (regardless of GST turnover)
  - wants to claim fuel tax credits
- may be required to lodge business activity statements, for example if it is registered for GST, has employer obligations such as pay as you go withholding, or have pay as you go instalments
- does not pay tax
  - each partner reports their share of the net partnership income or loss in their own tax return and is personally liable for any tax that may be due on that income.

A partnership and its partners can't claim a deduction for money they withdraw from the business. Amounts you take from a partnership:

- are not wages for tax purposes
- may affect what your share of the partnership income is that you have to pay tax on.

You will need to be aware of the steps to take if you change the makeup of your partnership.

Company

A company is a separate legal entity with its own tax and superannuation obligations, run by its directors and owned by its shareholders.

A company's income and assets belong to it, not its shareholders. There may be tax consequences if you are using your company's money and assets for private purposes.

A company can distribute profits to its shareholders through dividends and may be able to attach franking credits to those dividends. This allows its shareholders to receive a credit for the tax already paid by the company on its profits.

While a company provides some asset protection, its directors can be liable for their actions and, in some cases, certain tax and

superannuation debts of the company under the director penalties rules.

All company directors are legally required to verify their identity and apply for a director identification number (director ID) prior to being appointed as a director of a company.

Companies are regulated by the Australian Securities and Investments Commission (ASIC).

Companies have higher set-up and administration costs than other types of business structures and have additional reporting requirements.

Key tax obligations

A company:

- is responsible for its own tax and superannuation obligations
- must apply for its own TFN
- is entitled to an ABN if it is registered under the *Corporations Act 2001*
  - if the company is not registered under the *Corporations Act 2001* it may still register for an ABN if it is running a business in Australia
- must register for GST if it
  - has annual GST turnover of $75,000 ($150,000 for not-for-profit organisations) or more
  - provides taxi, limousine or ride-sourcing services (regardless of GST turnover)
  - wants to claim fuel tax credits
- may be required to lodge business activity statements, for example if it is registered for GST, has employer obligations such as PAYG withholding, or has PAYG instalments
- owns the money that the business earns (you may have to pay tax on any money taken out for personal use)
- must lodge an annual company tax return

- usually pays its income tax by instalments through the pay as you go instalments system
- pays tax at its applicable company tax rate
- must pay super guarantee for any eligible workers (this includes any company directors)
- must issue distribution statements to any shareholders it pays a dividend to.

There is information you need to know if your company will be deregistered.

Trust

A trust is an obligation imposed on a person or other entity to hold and manage property for the benefit of beneficiaries. If a trust is set up to run a business, it will normally have a trust deed that, among other things, sets out the powers of the trustees and the interests of the beneficiaries in the trust.

The trustee manages a trust's tax affairs. The trustee can be an individual or a company. The net income of the trust is usually distributed to beneficiaries.

Key tax obligations

A trust:

- must have its own TFN
- must lodge an annual trust tax return, which includes a statement of how its income was distributed
- must apply for an ABN and use it for all business activities
- must register for GST if it
  - has annual GST turnover of $75,000 ($150,000 for not-for-profit organisations) or more
  - provides taxi, limousine or ride-sourcing services (regardless of GST turnover)
  - want to claim fuel tax credits

- may be required to lodge business activity statements, for example if it is registered for GST, has employer obligations such as pay as you go withholding, or has pay as you go instalments
- must pay super for eligible employees (this may include the trustee if employed by the trust).

Who pays income tax?

The trustee must lodge an annual trust tax return. Who pays tax on the trust's income is determined by how the trust income is distributed and who it is distributed to.

Generally, the beneficiaries will be responsible for paying tax on the trust net income distributed to them.

The trustee is liable to pay tax on any undistributed income and may be liable to pay tax on behalf of certain beneficiaries, like non-residents or minors.

There may be other circumstances where the trustee is responsible for paying tax.

If the trust makes a loss, it cannot be distributed to the beneficiaries and they can't claim it as a loss against their income.

However, the trust may be able to carry forward losses and offset them against future income it earns.

QC 31723

Franchising and tax

Tax treatments for franchise-specific payments and transactions between franchisors and franchisees.

Last updated 8 November 2022

Starting a franchise

With franchising, the:

- franchisor grants the right to the franchisee to
  - use a business brand name or trademark
  - produce or distribute their product or service
- franchisor and each franchisee have their own Australian business number (ABN).

The franchisee will incur franchise-specific payments to their franchisor in addition to other general business expenses. Some of these payments will be deductible and others are capital in nature and not deductible.

Common franchise fees

Franchise establishment fees

The franchise establishment fee or transfer fee forms part of the cost base for your franchise licence, which is a capital asset. Because these fees are a capital investment in your business, they are not tax deductible.

Franchise renewal fees

If your franchise renewal fees form part of your cost base, they will not be deductible. Any franchise renewal fees **not** included in your cost base may be deductible as a business expense and subject to the prepayment rules.

An example of where you would not include a franchise renewal fee in your cost base is where it is for a relatively short period of time (for example, 5 years), and you would be left with no franchise if you did not pay the renewal fee.

Royalties, interest and other payments to the franchisor

An agreement to buy a franchise often includes ongoing royalty payments, interest payments or levies to the franchisor.

These payments typically cover head office expenses, such as administration, advertising and technical support.

Royalty payments, interest payments and levies to the franchisor can be claimed as an expense on your annual tax return. This is because they are an ongoing expense in running your business.

Royalty and interest payments to non-residents

- Generally, when you make royalty and interest payments to non-resident franchisors, you are required to withhold a flat rate of:
- 30% from the gross amount of a royalty payment
- 10% from the gross amount of an interest payment.

However, where there is a tax treaty agreement with the non-resident's country of residence, you apply the withholding rate in the tax treaty.

You pay and report the amounts you withhold from interest and royalty payments in your business activity statement (BAS) for the relevant reporting period.

You report the total annual amount of royalty and interest payments, and amounts withheld, in the PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report.

If you are required to withhold tax from a royalty or interest payment to a non-resident, you can only claim a deduction for it if:

- you have withheld tax from the payment and paid the withheld amount to us, or
- the withholding tax is paid.

Training fees

You can claim a tax deduction for fees you pay to the franchisor for ongoing training for employees in their roles. For more information refer to Income and deductions for business.

GST

If the franchisor is registered for goods and services tax (GST), payments you make to the franchisor may include a GST component.

If you are registered for GST you may be able to claim a GST credit in your BAS for the GST amount included in:

- the initial franchise fee

- franchise renewal fees
- franchise service fees or royalties
- advertising fees
- transfer fees
- training fees.

Transferring or terminating a franchise

If you transfer a franchise to another party or end your franchise agreement, there may be capital gains tax (CGT) and GST consequences.

When you transfer or end your franchise agreement you will need to calculate your CGT and include that in your annual tax return.

The sale of an existing franchise by a franchisee may qualify as a GST-free sale of a going concern.

QC 27152

Tax basics for small business video series

These short videos answer common questions about running a small business.

Last updated 3 July 2026

Overview of tax basics for small business

Tax basics for small business are short, plain-English videos which provide practical guidance on key tax, super and reporting obligations across the small business journey. The series covers key topics including business structures, home-based business expenses, super, record keeping, claiming deductions, GST and more.

Starting your business

Are you in business?

This video explores the differences between a hobby and a business, indicates how to determine whether you are in business and outlines what it means to be in business.

Media: Are you in business?
http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfurqip (**Duration:** 2:18)

Choosing a business structure

This video explains the business structures available to you and how tax may apply to the different structures.

Media: Choosing your business structure: Tax basics for small business.
http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfurqic (**Duration:** 3:26)

Goods and services tax (GST)

This video explains how GST works, indicates when you have to register and outlines what you have to do when you are registered for GST.

Media: Goods and services tax: Tax basics for small business.
http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfurqi3 (**Duration:** 4:55)

Business activity statements (BAS)

This video looks at what an activity statement is and what to do when you receive your statement.

Media: Activity statements: Tax basics for small business.
http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfurqii (**Duration:** 2:23)

Lodging and paying your tax

This video explains how to pay your tax and the options available to you if you are having difficulty paying.

Media: Paying your tax: Tax basics for small business. http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfw7bq5 (**Duration:** 2:22)

Deductions you can claim

Tax deductions and concessions

This video explains the expenses you can and can't claim as a deduction in your business.

Media: Business deductions: Tax basics for small business. http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfw7bqc (**Duration:** 3:56)

Travel expenses

This video focuses on when you can claim travel expenses in your business.

Media: Business deductions - Travel expenses: Tax basics for small business. http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfw7bqp (**Duration:** 1:23)

Home-based business expenses

This video outlines what deductions you can claim if you operate your business from home or if you have a home office.

Media: Business deductions - Home office expenses: Tax basics for small business. http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfw7bq4 (**Duration:** 4:30)

Workers

Before a worker starts

This video explains the registrations, obligations and tax requirements to consider before hiring an employee or contractor.

Media: Before a worker starts
https://tv.ato.gov.au/ato-tv/media?v=bi9or7ornzkwex (**Duration:** 3:00)

While someone works for you

This video explains your lodging and paying obligations once an employee or contractor is hired.

Media: While someone works for you
https://tv.ato.gov.au/ato-tv/media?v=bi9or7orfi3fwr (**Duration:** 4:35)

When a worker leaves

This video outlines the entitlements you need to consider when a worker leaves.

Media: When a worker leaves
https://tv.ato.gov.au/ato-tv/media?v=bi9or7od9jsurx (**Duration:** 1:32)

Fuel tax credits

This video explains who is eligible to claim fuel tax credits and what to do if you are eligible.

Media: Fuel tax credits: Tax basics for small business.
http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfiyset (**Duration:** 4:31)

Record keeping

This video outlines what records to keep so you can meet your tax obligations.

Media: Record keeping: Tax basics for small business. http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfiyse4 (**Duration:** 5:20)

Doing business overseas

This video explains how tax applies to overseas business transactions.

Media: Doing your business overseas: Tax basics for small business http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfiyse1 (**Duration:** 2:23)

Selling or closing your business?

This video explains what you need to consider and what you need to do when you sell or close your business.

Media: Selling or closing your business: Tax basics for small business. http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfiysjd (**Duration:** 3:30)

QC 35867

Ready for business

Key steps and information to get you ready for business.

Last updated 21 May 2026

Starting a new business is an exciting journey. We're here to help you get ready.

Whether you're setting up as a sole trader, partnership, company or trust, there's help to step you through the key decisions you'll make when starting a business.

There's guidance, tools and tips to help you navigate the setup process – so you can get your tax and super right from the start.

Get ready for business:

- Not everything that makes money is a business, so check Are you in business?
- There's a lot to consider before you start a business, including your tax, super and registration obligations.
- Different business structures have different obligations and responsibilities.
- There are unique considerations when it comes to franchising and tax.
- Strong foundations and establishing good business habits, like using digital tools, keeping accurate records and getting good advice can help you stay on track.
- If you need help to meet your tax and super obligations support is available for your small business.
- This information is also available in Arabic, Greek, Korean, Simplified Chinese, Traditional Chinese, Punjabi, Spanish and Vietnamese.

Learn more about starting your own business

Authorised by the Australian Government, Canberra.

QC 106451

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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